

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

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# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

TRIMESTER 2, 2016/2017

**BFN2244 – FINANCIAL STATEMENT ANALYSIS**  
(All Sections / Groups)

8 March 2017  
2.30 p.m. – 4.30 p.m.  
(2 Hours)

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### INSTRUCTION TO STUDENT

1. This Question paper consists of 6 pages (including front page) with **FOUR (4)** Questions only.
2. Answer **ALL** questions.
3. Write your answers in the Answer Booklet provided.

**Question 1**

The following are Summary of Income Statement and Financial position of Help Sdn. Bhd.

**Income Statement for the Year Ended 31st December**

	2016 (RM)	2015 (RM)
Sales	650,000	520,000
Less: Cost of goods sold	(415,000)	(354,000)
Gross profit	235,000	166,000
Sales and administrative expenses	(150,000)	(114,800)
Interest expenses	(7,200)	(6,000)
Taxation	(18,000)	(14,000)
Less: Total expenses	(175,200)	(134,800)
Net Income	59,800	31,200

**Balance Sheet as at 31st December**

ASSET	2016 (RM)	2015 (RM)
Current assets:		
Cash	41,000	18,000
Short Term Marketable securities	18,000	15,000
Accounts receivable (net)	92,000	74,000
Inventory	84,000	70,000
Total current assets	235,000	177,000
Equipment (Net)	403,000	383,000
Total assets	638,000	560,000
LIABILITIES AND OWNERS EQUITY		
Current liabilities:		
Accounts payable	112,000	110,000
Tax payable	23,000	20,000
Total current liabilities	135,000	130,000
Long-term liability:		
Bond payable	130,000	80,000
Total liabilities	265,000	210,000
Owner's equity:		
Ordinary share@RM5	150,000	150,000
Retained earnings	223,000	200,000
Total owner's equity	373,000	350,000
Total liabilities and owners equity	638,000	560,000

Continued...

**Required:**

a) Calculate the following financial ratios for the year 2015 and 2016:

- (i) Days' sales in account receivables
- (ii) Day's sales in account inventories
- (iii) Conversion periods
- (iv) Day's purchase in account payables
- (v) Net trade cycle periods
- (vi) Return on assets
- (vii) Return on shareholder equity
- (viii) Interest coverage ratio

(16 marks)

b) Critically comments the company's following financial ratio

- (i) Conversion period (3 marks)
- (ii) Net trade cycle periods (3 marks)
- (ii) Interest coverage ratio (3 marks)

(Total marks: 25 marks)

**Question 2**

a) Identify whether each of the following is an operating cash inflow (OI) or outflow (OO), investing cash inflow (II) or outflow (IO), financing cash inflow (FI) or outflow (FO) or non-cash flow item (NC).

- (i) Issuance of new share
- (ii) Interest received
- (iii) Sales of company's office building
- (iv) Cash receive from customer
- (v) Decrease of account inventory
- (vi) Depreciation
- (vii) Increase of account payable
- (viii) Acquisition of a new company
- (ix) Stock buyback
- (x) Loss on disposal of fixed assets
- (xi) Goodwill amortization
- (xii) Convert preferred stock to common stock
- (xiii) Contingent liabilities

(13 marks)

Continued...

b) The following data are derived from Inti Berhad for year 2016.

**Required:**

Prepare the cash flows from **operating activities** for the year.

	RM
Net income	8,000
Depreciation .....	4,000
Disposal of Land .....	20,000
Amortization of premium on bonds payable .....	60
Cash payment for stock buyback .....	10,000
Undistributed earnings of unconsolidated subsidiaries and affiliates	300
Increase in notes payable .....	900
Increase in accounts receivable .....	800
Increase in accounts payable .....	1,000
Decrease in dividend payable .....	500
Increase in accounts prepaid expenses .....	800

(12 marks)

(Total marks: 25 marks)

**Question 3**

a) You company, Taylor Berhad is studying the potential to purchase 100% of Binary Berhad at RM180,000. The above purchase consideration will be financed by issuing new shares of Taylor Berhad. Information below is provided.

	Taylor Berhad	Binary Berhad	Binary Berhad
	Historical Value RM'000	Historical Value RM'000	Fair Value RM'000
Current Assets	100	70	80
Land	90	50	55
Plants, net	80	40	45
Cash	70	20	20
Total assets	340	170	200
Current liabilities	180	70	70
Shareholders' equity	160	100	
Total Liabilities and equity	340	170	

Prepare a consolidated balance sheet with inter-companies transactions. (17.5 marks)

**Continued...**

- b) A ship builder sells ships with each ship selling for RM30 million. The company never starts building a ship until it receives a specific order from a customer. It takes three years to build a ship. Before the ship is constructed, the customer is required to pay a deposit of 20%. Once construction is completed and during the first three years of using the ship the company agrees to repair anything on the ship free of charge. The customer pays for the ship over a period of ten years after the date of delivery.

For each of the following alternatives, determine whether the revenue should be recognized and why?

- (i) Recognize revenue when an order is received
- (ii) Recognize revenue when the deposit is received
- (iii) Recognize revenue when construction work starts
- (iv) Recognize revenue proportionately during the four-year construction period
- (v) Recognize revenue immediately after the customer takes possession of the ship
- (vi) Recognize revenue only after the three year guarantee period is over

(7.5 marks)

(Total marks: 25 marks)

#### Question 4

- a) Under prospective analysis, discuss the factors affecting to the following projected figure.

- i) Projected sales
- ii) Projected depreciation
- iii) Projected interest

(9 marks)

- b) You are given the following information for Segi Company. As of year 1, the company's book value is RM50,000 and its cost of capital is 15%.

	Year 1 RM	Year 2 RM	Year 3 RM	Year 4 RM	Year 5 RM
Sales	122,000	114,000	105,000	96,000	82,855
Operating Expenses	100,000	90,000	80,000	70,000	57,145
Depreciation	10,000	11,300	12,770	14,430	14,430
Net income	12,000	12,700	12,230	11,570	11,280
Dividends	6,000	6,000	5,600	5,700	5,100
Expected book value	50,000	56,000	62,700	69,330	75,200
ROCE	0.2400	0.2268	0.1951	0.1669	0.1500

Dividends for year 6 and beyond are expected to remain at year 5 level.

- i) Compute Company's abnormal earnings for year 1 to year 5 **(5 marks)**
- ii) Use an accounting based valuation model to estimate the value of Company's equity on January 1st of year 1, year 2, year 3, year 4 and year 5 **(5 marks)**
- iii) Use the Price-to-Earnings (PE) Ratio formula to determine the Price-to-Earnings (PE) Ratio on January 1st of year 2, year 3, year 4 and year 5 **(6 marks)**

**(Total marks: 25 marks)**

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